

PRODUCT PRINCIPLES

5 WAYS TO PREPARE YOUR PRODUCT
FOR INTERNATIONAL SALES

Prepare Your Product for International Sales

Is Your Product Export Ready?

Selecting and preparing your product for export requires knowledge of the unique characteristics of each target market. The extent to which your company is willing to modify products sold for export markets is a key policy issue to be addressed. Some exporters believe their domestic products can be exported without significant changes. Others seek to develop uniform products that are acceptable in all markets. It is very important to do research and to be sure of the right strategy.



To aid you in this process, EXIM Bank's partners at the Department of Commerce have outlined several issues you should consider when preparing a product for a new market. You can find the full text of the synopsis below in ["A Basic Guide to Exporting" Chapter 8: Preparing your Product for Export.](#)



Prepare Your Product for International Sales (continued)



1. Product Adaptation

To enter a foreign market successfully, your company may have to modify its product to conform to government regulations, geographic and climatic conditions, buyer preferences or standards of living. Your company may also need to modify its product to facilitate shipment or compensate for possible differences in engineering and design standards. Foreign government product regulations are common in international trade and are expected to expand in the future.

Additionally, buyer preferences in a foreign market, such as religious practices or the use of leisure time, may also lead you to modify your product. Finally, market potential must be great enough to justify the direct and indirect costs involved in product adaptation. Your company should assess the costs to be incurred and, though it may be difficult, determine the increased revenues expected from adaptation. The decision to adapt a product is based partly on the degree of commitment to the specific foreign market; a company with short-term goals will probably have a different perspective than a company with long-term goals.



2. Branding, Labeling, and Packaging

Consumers are concerned with both the product itself and the product's secondary features, such as packaging, warranties and services. Branding and labeling products in foreign markets raise new considerations for your company, such as:

- Are international brand names important to promote and distinguish a product?
- Are the colors used on labels and packages offensive or attractive to the foreign buyer?
- Can labels and instructions be produced in official or customary languages if required by law or practice?
- Does information on product content and country of origin have to be provided?
- Are weights and measures stated in the local unit?
- Must each item be labeled individually?
- What is the language of the labeling?
- Are local tastes and knowledge considered?



3. Shipping Your Product

In addition to market considerations for packing and labeling your product, you will need to comply with U.S. export and foreign import documentation, shipping methods, and payment collection standards. You should seriously consider utilizing the services of a reputable freight forwarder to handle the many documentary requirements that exporting requires. An international freight forwarder is an agent that ships cargo to an overseas destination.

While many documents are standard, requirements will vary depending on the transaction, U.S. export and foreign country import requirements for the product, and the port of entry, shipping method and final destination. Some of the services provided by freight forwarders include;

- Preparation of price quotations such as, freight costs, port charges, consular fees, additional documentary requirements, insurance costs, and freight forwarders handling fees.
- Freight forwarders can also make arrangements with customs brokers overseas to ensure that the goods comply with customs import documentation regulations. A customs broker is an individual or company that is licensed to transact customs business on behalf of others.
- Optimal packing methods during transit as well as repackaging into containers and storage at port of entry and arranging reservations for on-shipment inland are all standard services offered by freight forwarders.
- A single point of review for final shipping and recording of documentary procedures also expedites smooth facilitation of payment with the buyers, or the buyer's bank.
- Finally, the freight forwarder can make recommendations on optimal cargo insurances to hold on your shipment and advise you of broker/dealers that can provide vital insurance against non-payment and political risks in your country of import.



Prepare Your Product for International Sales (continued)



4. Installation

Another element of product preparation your company should consider is the ease of installing the product overseas. If technicians or engineers are needed overseas to assist in installation, your company should minimize their time in the field if possible. To do so, your company may wish to preassemble or pretest the product before shipping or to provide training for local service providers through the web, training seminars or DVDs. Your company may consider disassembling the product for shipment and reassembling it abroad. This method can save your company money on shipping, but it may delay payment if the sale is contingent on an assembled product.

Your company should be careful to provide — in the local language — all product information, such as training manuals, installation instructions (even relatively simple instructions) and parts lists.



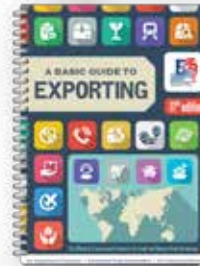
5. Warranties

Your company should consider carefully the terms of a warranty on the product (and be very clear about what the warranty covers) because the buyer will expect a specific level of performance and a guarantee that it will be achieved. Levels of expectation and rights for a warranty vary by country, depending on the country's level of development, its competitive practices, the activism of consumer groups, the local standards of production quality and other factors. Product service guarantees are important because customers overseas typically have service expectations as high as or greater than those of U.S. customers.

To protect your new to market product shipment against commercial and political risks above and beyond your standard cargo insurances, click to learn more about how EXIM Bank's [Export Credit Insurance](#) products can be tailored to meet your specific needs.

Helpful Export Information

BASIC GUIDE TO EXPORTING



Learn the basic fundamentals of exporting and turn export opportunities into sales.

grow.exim.gov/basic-guide-to-exporting

GUIDE TO EXPORT CREDIT INSURANCE



Learn how to protect your foreign receivables from bad foreign transactions.

grow.exim.gov/eci-ebook

EXIM.GOV



For more in-depth information about EXIM, visit our website.

exim.gov



Case Study - Los Kitos Produce

Learn how Los Kitos Produce uses Export Credit Insurance to expand into new markets and protect against the risk of foreign buyer nonpayment.



“Since beginning to export, LKP has established a solid infrastructure, a great team, and a direct vendor network overseas.”

The Opportunity

Los Kitos Produce (LKP) is a California-based network of growers, packers, and shippers of fresh fruits and vegetables. LKP sources their produce from minority-owned growers in areas with high unemployment. Once the produce is sourced, LKP packages the products for export and domestic distribution using uniform labels that emphasize the source and the quality of the produce.

LKP's packaging allows it to both communicate with its consumers on the nutritional value of the products, and also to entice new customers, domestically and internationally, to try its U.S. produced goods.

The Challenge

LKP's most significant challenges exporting have been two-fold: assuring their domestic supply chain that they will be paid while exporting, and assuring their foreign customers that LKP will deliver their quality produce as promised. This results in LKP having to play the role of a goodwill ambassador, convincing its domestic supply chain that exporting is just as safe as selling its produce domestically, while assuring its foreign customers that it can offer the credit terms they demand.

The Solution

LKP is able to succeed in doing this by using multi-buyer Small Business Export Credit Insurance from the Export-Import Bank of the United States (EXIM). Multi-buyer Export Credit Insurance does exactly what it sounds like: insures a business' foreign accounts receivable. With EXIM's Export Credit Insurance, LKP can guarantee its

domestic supply chain that should a foreign customer default or does not pay for a shipment, EXIM will cover up to 95% of LKP's international sales invoice. In short, if LKP isn't paid, they will be reimbursed by EXIM meaning, in turn assuring LKP's producers they will also be paid.

Export Credit Insurance further allows LKP to extend competitive credit terms to its foreign customers, knowing that should a foreign buyer default, LKP is insured against commercial and political risk.

The Results

With EXIM's credit reporting standards, LKP has been able to create a weekly report to help build confidence for its local growers and overseas buyers, keeping them informed of the variables that could affect international sales. The overseas buyers really appreciate the extra effort put in for them.

With Export Credit Insurance, LKP and its suppliers have been assured that when shipping internationally, they will be paid. Additionally, LKP is able to compete internationally by offering the credit terms its foreign buyers demand to complete its international sales.

LKP's job has further been simplified domestically. With Export Credit Insurance, LKP's job explaining international risk has been dramatically reduced. Knowing that its foreign invoices are covered up to 95% assuages local producers of LKP's ability to deliver on its international sales. Since beginning to export, LKP has established a solid infrastructure, a great team, and a direct vendor network overseas. LKP currently exports to Mexico, Korea, Saudi Arabia, and Hong Kong, with Mexico being its largest exporting partner.

Additional Information

Are you ready to work with EXIM?

Before getting started it's important to know the basic requirements for working with EXIM Bank. While it's always a good idea to call us with any questions about our policies, generally your business will need to meet the following criteria:

- Been in business for at least three years
- At least one person working in the firm full time
- Has a positive net worth
- Exports U.S. made products and/or services provided by U.S. workers

Let's get started:

Request a free consultation today with your regional specialist.

<http://grow.exim.gov/contact-a-trade-finance-specialist>



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